

notes and of keeping one-third of their reserve in specie.<sup>1</sup> The State banks undertook by mutual agreement to honor each other's notes and drafts, but the crisis of 1837 caused a general suspension and the payment of \$25,000,000 of the deposits in bank-notes bearing an average depreciation of ten per cent. Secretary Taney in his report for 1834 urged legislation to sanction the use of the State banks as depositaries, but the bill prepared on the subject failed in the Senate. The suspension of the banks in 1837 led President Van Buren, in his annual message of that year, to recommend that the public funds be kept exclusively by public officers and that nothing but specie be received for dues to the government. This plan—embodying substantially the features of the present independent treasury system—was several times defeated, but was finally enacted June 30, 1840. One-fourth of all dues to the Treasury were to be paid at once in specie, and an additional fourth each year until the whole were thus paid.

The success of Harrison and the Whigs resulted in the repeal of the independent treasury law August 13, 1841, and two national bank bills were passed, only to be successively vetoed by President Tyler. The public monies were deposited in the banks or not, at the discretion of public officials, until 1846, when the independent treasury system was again established by authority of Congress. The policy of refusing State bank-notes for government dues continued until the creation of the national banking system during the Civil War. That system gave the government the security of its own bonds for the bank-notes, and the national banking act provided that the notes should be "received at par in all parts of the United States in payment of taxes, exr cises, public lands, and all other dues to the United States, except for duties on imports; and also for all salaries and other debts and demands owing by the United States to individuals, corporations, and associations within the United States, except interest on the public debt, and in redemption

<sup>1</sup> Kinley, 17.